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BY OVERNIGHT DELIVERY

Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Pkwy.
Nashville, TN 37243

DOCKET NO.

04-00287

Re: Joint Application of ITC^DeltaCom, Inc., Southern Digital Network, Inc. d/b/a FDN Communications, Inc. And Network Telephone Corporation For Approval of the Acquisition of FDN and NT by ITC^DeltaCom, Inc. And For Consent to the Indirect Transfer of Control of (1) Interstate FiberNet, Inc., (2) Business Telecom, Inc. d/b/a BTI, and (3) ITC^DeltaCom Communications, Inc. d/b/a ITC^DeltaCom and d/b/a Grapevine

Dear Sir or Madam:

On behalf of ITC^DeltaCom Communications, Inc. d/b/a ITC^DeltaCom, enclosed please find an original and thirteen (13) copies of the referenced Application.

Enclosed please find our check in the amount of \$25.00 representing the requisite filing fee.

Please date stamp and return the enclosed extra copy of this letter in the envelope provided as evidence of filing.

Should you have any questions concerning this filing, please call. Thank you for your assistance with this matter.

Sincerely,



Ellen Ann G. Sands

Enclosures

cc: Nanette S. Edwards
Matthew J. Feil

**BEFORE THE
PUBLIC SERVICE COMMISSION
STATE OF TENNESSEE**

Joint Application of ITC^DeltaCom, Inc.,)
Southern Digital Network, Inc. d/b/a)
FDN Communications, Inc., and)
Network Telephone Corporation)
For Approval of the Acquisition of FDN and)
NT by ITC^DeltaCom, Inc.)
and For Consent to the Indirect Transfer)
Of Control of (1) Interstate FiberNet, Inc.,)
(2) Business Telecom, Inc. d/b/a BTI, and)
(3) ITC^DeltaCom Communications, Inc).
d/b/a ITC^DeltaCom and d/b/a Grapevine)

Docket No. _____

EXPEDITED ACTION REQUESTED

APPLICATION

Pursuant to the applicable Statutes of this State and the Commission's Rules and Regulations currently in effect and/or subsequently enacted, ITC^DeltaCom, Inc. ("ITCD"), Southern Digital Network, Inc. d/b/a FDN Communications ("FDN") and Network Telephone Corporation ("NT"), hereby jointly request Commission approval to transfer control of FDN and NT to ITCD (the "FDN-NT Transactions").¹ FDN and NT both hold certificates of public convenience and necessity to provide intrastate competitive local exchange services and long distance services in this State.

In connection with the FDN-NT Transactions, ITCD will issue new common stock resulting in a reduction of the ownership interest of ITCD's current majority shareholders, Welsh, Carson, Anderson & Stowe VIII, L.P., WCAS Capital Partners III, L.P., and WCAS Information Partners, L.P. (together, "Welsh Carson") to below fifty

¹ The transfer of control of NT to ITCD will not occur until and unless the transfer of control of FDN to ITCD is approved by the Commission and is subsequently consummated.

percent (50%), which, in turn, will result in a transfer of control of ITCD and its three operating subsidiaries – Interstate FiberNet, Inc. (“IFN”), Business Telecom, Inc. (“BTI”), and ITC^DeltaCom Communications, Inc. d/b/a ITC^DeltaCom and d/b/a Grapevine (“DeltaCom”) – from Welsh Carson to the shareholders of ITCD (the “Indirect Transfer”). Thus, ITCD, on behalf of itself and IFN, DeltaCom and BTI, hereby respectfully requests any necessary authority from this Commission for the Indirect Transfer.

Additionally, as part of the FDN-NT Transactions, FDN and NT will each act as a guarantor under the existing ITCD credit facility agreements in the same manner as DeltaCom, IFN, and BTI do today (the “Guarantees”). As a result, FDN and NT each request consent for the execution and issuance of the Guarantees, if any such consent is required.

Finally, as part of the various transactions described herein, the current organizational structure of ITCD will change (the “Reorganization”). Currently, DeltaCom’s immediate parent is IFN, and, therefore, DeltaCom is an indirect, second-tier subsidiary of ITCD. After consummation of the transactions described herein, DeltaCom will become a direct, first-tier subsidiary of ITCD and not an indirect subsidiary. Applicant ITCD requests approval of this Reorganization.

This Application is not a request for transfer of operating authority or operating certificates for any of the Applicants and does not involve any transfer of customers. Instead, the Application seeks consent to the change in control of FDN and NT from their existing shareholders to ITCD and the transfer of control of DeltaCom, IFN, and BTI due to the reduction of Welsh Carson’s ownership interest to below fifty percent

(50%). NT, FDN, and the operating entities of ITCD (IFN, DeltaCom and BTI) will continue to provide competitive telecommunications services to their existing customers pursuant to their existing certifications following consummation of the transactions contemplated herein.²

In support of this Application, ITCD, FDN and NT provide the following information:

I. THE APPLICANTS

A. ITC^DeltaCom, Inc.

ITCD, through its three operating subsidiaries, IFN, BTI and DeltaCom, provides integrated communications services in the southeastern United States. ITCD delivers a comprehensive suite of voice and data communications services, including local exchange, long distance, enhanced data, Internet, colocation and managed services, and sells customer premise equipment to its end-user customers. ITCD offers these services primarily over its owned network facilities and also uses leased network facilities to extend its market coverage. In addition, ITCD owns, operates and manages an extensive fiber optic network with significant transmission capacity that it uses for its own voice and data traffic and selectively sells to other communications providers on a wholesale basis.

DeltaCom is a wholly-owned subsidiary of IFN, which in turn is wholly-owned by ITCD. ITCD is headquartered at 1791 O.G. Skinner Drive, West Point, Georgia 31833. DeltaCom is incorporated under the laws of the state of Alabama and is qualified to transact business in this state as a foreign corporation. DeltaCom is a provider of

² IFN provides no retail services, only wholesale services to other carriers

interexchange telecommunications services and competitive local exchange telecommunications services. DeltaCom is authorized to provide long distance telecommunication services in all 50 states. DeltaCom received its authority to provide long distance telecommunications services in this state in Docket No. 95-02826, dated 9/8/95 and competitive local telecommunications services in Docket No. 96-01431, dated 1/2/97. ITCD is a holding company and has no certificates of authority.

IFN is a provider of wholesale fiber optic transmission or commonly known as a carrier's carrier. IFN holds no certificate to provide service in this.

BTI is a North Carolina corporation that is authorized to provide long distance and competitive local exchange service in this State in Docket No 95-02947 as of 9/12/95 and 98-00126 as of 3/12/98.

B. ITCD and Welsh Carson

Welsh Carson is a private equity investment firm that has managerial and financial expertise in numerous fields, including telecommunications. Welsh Carson holds more than 50% percent of the outstanding common stock of ITCD. Welsh Carson specializes in acquiring and developing businesses in the information services, communications, and healthcare industries. Its principals have significant operating and investment experience in those three industries. In the communications arena, Welsh Carson's investments have been made in companies providing value-added network services, competitive local exchange carriers, rural cellular and rural wireline operators, integrated communications carriers, and wireless tower operators.

C. FDN

FDN provides local, interexchange and high-speed Internet access services

pursuant to the authority granted by this Commission Docket No. 04-00095, dated 7/23/04. FDN is a Delaware corporation. FDN, together with its affiliates, provides local, interexchange and high-speed Internet access services to more than 55,000 business locations with more than 225,000 business and Internet lines. By focusing its service efforts in Florida and Georgia, FDN has developed a broad, loyal customer base that has been able to take advantage of the innovative products and service packages that FDN provides, including flat-rate local pricing for business customers.

D. Network Telephone Corporation

NT is a Florida corporation that is authorized to provide competitive local exchange and long distances services in this State pursuant to Docket No. 98-00349 and 00-00009 dated 2/2/99. NT provides small business customers with phone and internet services including local, long distance, high speed internet, Web hosting, data backup, Virtual Private Networking (VPN) service, and conferencing services. Currently, NT provides service to 17,000 small business customers.

II. DESIGNATED CONTACTS

The designated contact for questions concerning this Application is:

EllenAnn G. Sands
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esands@nbglaw.com

with copies to:

Matthew J. Feil
General Counsel
FDN Communications
2301 Lucien Way, Suite 200
Maitland, FL 32751
Phone: (407) 835-0300
Fax: (407) 447-4008

Nanette S. Edwards
Director-Regulatory
ITC^DeltaCom Communications, Inc.
7037 Old Madison Pike, Suite 400
Huntsville, AL 31806
(800) 239-3000, ext. 3856
(256) 382-3936 (fax)
Nedwards@itcdeltacom.com

III. DESCRIPTION OF THE TRANSACTION

On September 8, 2004, ITCD entered into separate and independent agreements ("Merger Agreements") with each of FDN and NT whereby ITCD agreed to acquire all of the outstanding shares of FDN and NT in exchange for newly-issued shares of ITCD common stock. Currently, Welsh Carson holds over fifty percent (50%) of ITCD's voting capital stock. Because ITCD will acquire FDN in exchange for newly-issued shares of ITCD common stock, Welsh Carson's ownership interest in ITCD will be diluted by the transaction, causing Welsh Carson's ownership share in ITCD to decline to below 50 percent, (i.e. the "Indirect Transfer" described on page 2). Consummation of the Indirect Transfer will result in a change in control of ITCD and ITCD's operating companies – DeltaCom, IFN and BTI.³ ITCD's voting capital stock

³ Because Welsh Carson will no longer hold a controlling majority of the voting shares of ITCD, Welsh Carson also will not be able to control the appointment of ITCD board members once the transactions contemplated by the Merger Agreement are consummated. Currently, Welsh Carson is a party to a governance agreement that prevents it from using its controlling majority of the voting shares of ITCD to elect board members, but this

will be held by a number of shareholders, including Welsh Carson and the former shareholders of FDN, but no single entity will hold more than a fifty percent (50%) ownership interest in ITCD.

To effectuate the FDN-NT Transactions, ITCD will create two new wholly-owned subsidiaries which will merge with and into FDN and NT, respectively. As a result of the FDN-NT Transactions, FDN will become a wholly-owned subsidiary of ITCD and NT will become a wholly-owned subsidiary of ITCD. A diagram depicting the current organization of the companies is included as Exhibit A and a diagram illustrating the combined organizational structure of ITCD, post-transaction, is included as Exhibit B.

As a result of these transactions, NT and FDN will also act as cross-guarantors for ITCD existing debt (i.e. the "Guarantees" described on page 2), and DeltaCom will become a direct, first-tier subsidiary of ITCD (i.e. the "Reorganization" described on page 2).

Grant of this Application will serve the public interest, convenience, and necessity. By merging the resources, assets and customer bases of the ITCD operating subsidiaries, FDN, and NT, the post-transaction company will become a strong competitor in the marketplace for local, interstate and international telecommunications services, high-speed data services and other services. The customers of IFN, BTI, DeltaCom, NT and FDN, will benefit from the combined company's improved resources and assets, which will help ensure continuity of service and enhance the ability of each of the operating subsidiaries to offer a broader range of

governance agreement is scheduled to expire in January 2005. Absent this governance agreement and the transactions that are the subject of this Application, Welsh Carson would have the ability to control appointments to ITCD board beginning in January 2005

innovative products and services to customers. The parties expect the transaction to generate annualized cost savings for the combined company of approximately \$25 to \$30 million over an 18 to 24 month period. The proposed transaction therefore will strengthen the ability of the post-merger company to offer services in competition with other providers, including incumbent local exchange carriers, in their operating areas. Grant of this Application clearly will promote competition in the local exchange, interexchange, and international telecommunications markets, and will serve the public interest.

The proposed transfer will be seamless to consumers. Each customer of DeltaCom, BTI, FDN and NT will continue to receive high-quality service. The consolidated company will continue to honor all terms and conditions related to service agreements with customers.

IV. PUBLIC INTEREST ANALYSIS

Grant of the instant application will serve the public interest, convenience, and necessity. Consummation of the proposed transaction will result in net benefits to customers by strengthening the financial status of ITCD [and its operating subsidiaries]. The integration of NT and FDN into ITCD will be consummated in a manner that will not adversely affect the provisioning of telecommunications services in this state, but will enhance ITCD's ability to offer a broader range of innovative products and services to customers. The Commission's ability and authority to regulate DeltaCom, BTI, IFN, NT and FDN to ensure that each satisfies all obligations, commitments and regulatory requirements established by the laws of this state and the Commission will remain unchanged. Thus, there are no potential public interest harms raised by the proposed

transaction and there will be clear benefits to the public upon approval and closing of this transaction.

V. CONCLUSION

WHEREFORE, Applicants respectfully request the following separate and distinct items of relief:

- A. ITCD, on behalf of itself and its operating subsidiaries, IFN, DeltaCom and BTI, and FDN request that the Commission grant any necessary authority for the transfer of control of FDN to ITCD; and
- B. In the event the Commission grants the relief requested in paragraph A and the acquisition of FDN by ITCD is subsequently consummated, ITCD, on behalf of itself and its operating subsidiaries, IFN, DeltaCom and BTI, and NT respectfully request that the Commission grant any necessary authority for the transfer of control of NT to ITCD, and
- C. ITCD, on behalf of itself and its operating subsidiaries, IFN, DeltaCom and BTI, respectfully requests that the Commission grant any necessary consent for the indirect transfer of control of DeltaCom, BTI and IFN resulting from Welsh Carson' ownership interest in ITCD declining below fifty percent (50%); and

- D. In the event the Commission grants the relief requested in paragraph A, FDN requests that the Commission approve FDN's execution and issuance of the Guarantees; and
- E. In the event the Commission grants the relief requested in paragraph B, NT requests that the Commission approve NT's execution and issuance of the Guarantees; and
- F. ITCD requests that the Commission approve the reorganization of ITCD such that DeltaCom becomes a direct, first-tier subsidiary of ITCD, rather than an indirect, second-tier subsidiary.

DATED this 9th day of September, 2004.

Respectfully submitted,



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Counsel for ITC^DeltaCom, Inc., Interstate
FiberNet, Inc., ITC^DeltaCom
Communications, Inc., Business Telecom, Inc.,
Southern Digital Network, Inc., and Network
Telephone Corporation

STATE OF FLORIDA

COUNTY OF ORANGE

VERIFICATION

I am authorized to represent Southern Digital Network, Inc., d/b/a FDN Communications and to make this verification on its behalf. The statements in the foregoing document are true of my own knowledge, except as to matters which are herein stated on information and belief, and as to those matters, I believe them to be true.

BY: Matthew J. Feil

NAME: Matthew J. Feil

TITLE: General Counsel

DATE: 9-8-04

Sworn and subscribed to before me this 8th day of September, 2004.

Glenda S. Chapman
Notary Public

My Commission Expires: 11-9-07



Glenda S. Chapman
My Commission DD265574
Expires November 09, 2007

STATE OF Florida

COUNTY OF Escambia

VERIFICATION

I am authorized to represent Network Telephone Corporation and to make this verification on its behalf. The statements in the foregoing document are true of my own knowledge, except as to matters which are herein stated on information and belief, and as to those matters, I believe them to be true.

BY: Margaret H. Ring

NAME Margaret H. Ring

TITLE: Director, Regulatory Affairs

DATE: September 8, 2004

Sworn and subscribed to before me this 8th day of September, 2004

Tara Dragon
Notary Public

My Commission Expires: 8/28/07



STATE OF Alabama

COUNTY OF Madison

VERIFICATION

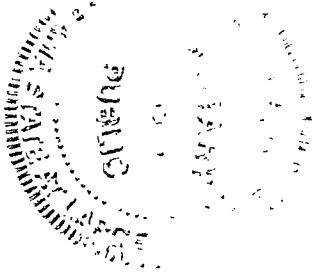
I am authorized to represent ITC^DeltaCom, Inc. and to make this verification on its behalf. The statements in the foregoing document are true of my own knowledge, except as to matters which are herein stated on information and belief, and as to those matters, I believe them to be true.

BY: 

NAME: Donald Hellwege

TITLE: VP, Assistant Corporate Counsel

DATE: September 8, 2004



Sworn and subscribed to before me this 8th day of September, 2004:

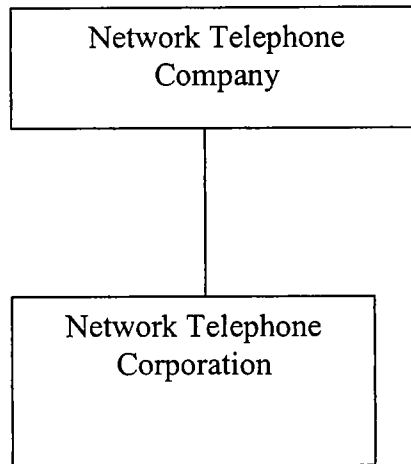

Notary Public

My Commission Expires: 1-12-08

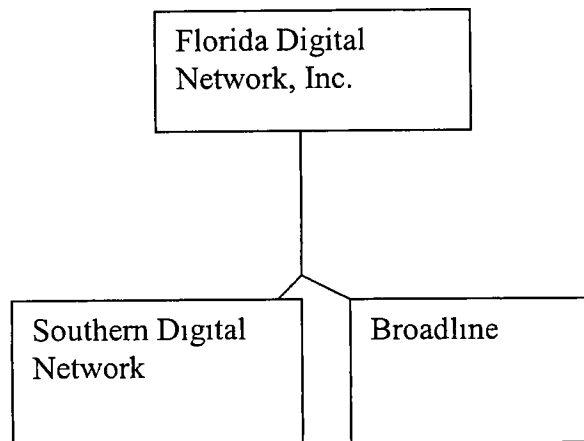
Exhibit A

Current Organization of the Companies (Pre-transaction)

Current Organizational Structure of
Network Telephone



Current Organizational Structure of
Florida Digital Network, Inc.



Current Organizational Structure

ITC^DeltaCom, Inc.

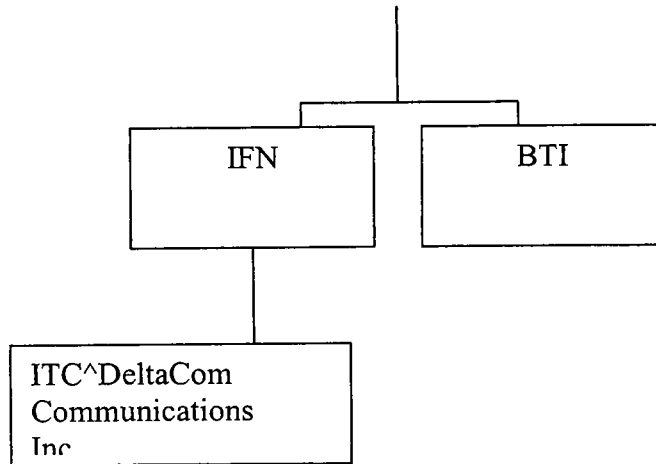


Exhibit B

Combined Organization of the Companies (Post-transaction)

Exhibit B

**Post Transaction Organizational Structure of
Combined Companies**

